Energy Situation Analysis Report

Last Updated: November 21, 2002
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Latest Oil Market Developments

Crude oil prices rose for the fifth time in six sessions as the U.S. asked 52 nations what political or military aid they would contribute if Iraq failed to comply with UN sanctions. West Texas Intermediate (WTI) crude oil prices for January delivery rose 26 cents to $26.35 a barrel on the New York Mercantile Exchange (NYMEX) on Thursday, November 21 (note: the front-month WTI contract rolled over to January today). On Wednesday, November 20, WTI front month (December) futures had risen $0.56 per barrel, to $26.98 per barrel in response to renewed concerns related to the possibility use of military action against Iraq. more...

Latest U.S. Weekly EIA Petroleum Information

The U.S. average retail price for regular gasoline fell last week for the second week in a row, decreasing by 3.0 cents per gallon as of November 18 to end at 140.9 cents per gallon. This price is 24.2 cents per gallon higher than last year. Retail diesel fuel prices fell last week for the fourth week in a row, decreasing by 2.2 cents per gallon to a national average of 140.5 cents per gallon as of November 18. Distillate fuel inventories are expected to drop below the normal range this winter and remain low through 2003. more...

World Oil Market Highlights

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds as high as 4.9 million barrels per day of excess oil production capacity that could be brought online. Nearly all of this "excess capacity" lies in OPEC member countries. more...

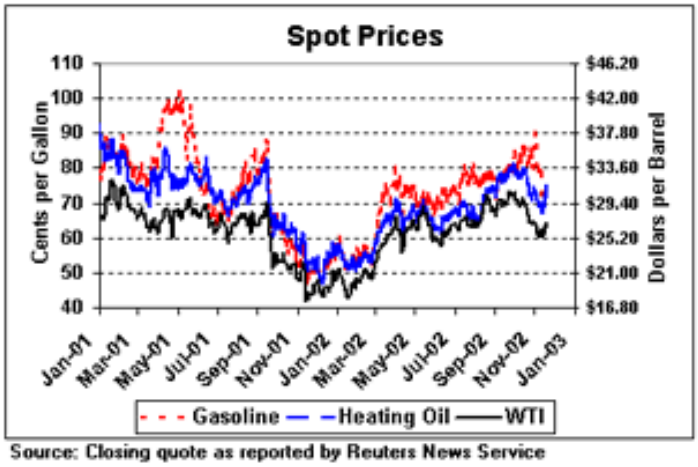
Latest U.S. Weekly Natural Gas Information

Natural gas prices increased by generally less than a dime per MMBtu on Tuesday and a nickel or less on

Energy Prices*

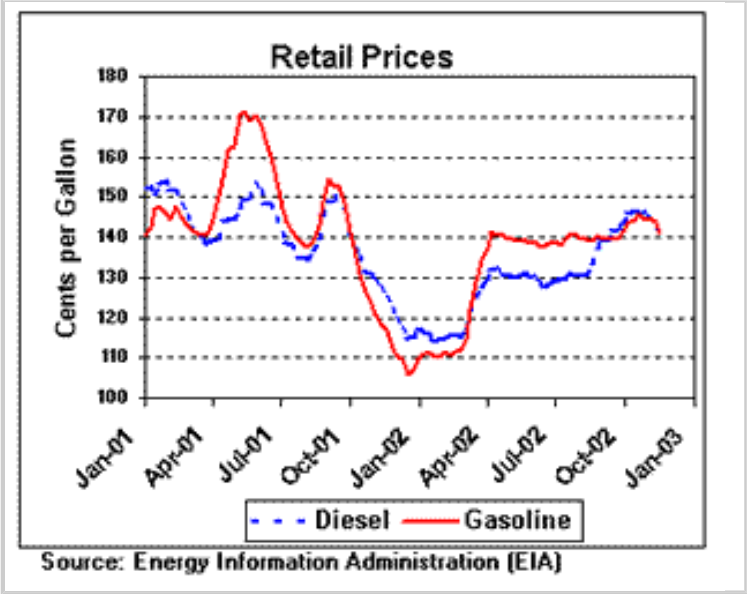
Petroleum Futures	11/20/02	11/19/02	Change
WTI ($/Bbl)	26.98	26.42	+0.56
Gasoline (c/gallon)	71.29	70.16	+1.13
Heating Oil (c/gallon)	74.51	72.17	+2.34
Natural Gas ($/MMBtu)			
Henry Hub	4.27	4.25	+0.02
California	3.92	3.93	-0.01
New York City	4.61	4.56	+0.05
Electricity ($/Megawatthour)			
COB	33.56	35.59	-2.03
PJM West	29.95	32.89	-2.94
NEPOOL	47.12	45.50	+1.62
Average	36.98	37.57	-0.59

*Definitions



Source: Closing quote as reported by Reuters News Service

Wednesday, as temperatures have moderated somewhat from their colder-than-normal levels of the weekend and Monday. The Rockies market joins West Texas and California locations as the only markets with average prices below $4 per MMBtu. more...



Latest U.S. Coal Information

Spot coal prices are in an extended slump. Average Appalachian spot prices declined further in the week ended November 15. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are now about $20.00 and $13.00 lower per short ton, respectively, or 43% and 32% lower. The largest change in percentage is for the Powder River Basin coal prices, now settling at half of the late Spring 2001 peak (down by $6.50 per ton, or 51%). more...

Latest U.S. Electricity Information

Electricity prices in most of the Western U.S. fell yesterday, November 20, as temperatures rose in California and strong river flows increased production of hydroelectric power in Washington and Oregon.Electricity price in parts of the Midwest fell for the third consecutive trading day as output form nuclear plants in the region rose to meet higher demand for power to run heaters. In the Southeast, electricity prices decreased the past two trading days as warmer weather led to decreased customer demand.Northeastern prices have been mixed over the past several trading days. more...

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Latest Oil Market Developments

(updated November 21, 2002)

Crude oil prices rose for the fifth time in six sessions as the U.S. asked 52 nations what political or military aid they would contribute if Iraq failed to comply with UN sanctions. West Texas Intermediate (WTI) crude oil prices for January delivery rose 26 cents to $26.35 a barrel on the New York Mercantile Exchange (NYMEX) on Thursday, November 21 (note: the front-month WTI contract rolled over to January today). On Wednesday, November 20, WTI front month (December) futures had risen $0.56 per barrel, to $26.98 per barrel in response to renewed concerns related to the possibility use of military action against Iraq. Prices also rose in response to statements by Ali Rodriguez, the president of Venezuelan state oil company PdVSA, that OPEC would address production above quotas at its next meeting in December. However, the price gains were tempered by reports of continued increases in OPEC production.

Topics affecting **world oil markets** include:

- OPEC President Rilwanu Lukman said earlier this month that he expected that after U.N. sanctions against Iraq were lifted, Iraq would request an OPEC quota parity with Iran. However, Iran's OPEC governor, Hossein Kazempour Ardebili, said that "Iran will never accept quota parity with Iraq ...our quotas were even only for an exceptional period on the basis of the July 1990 OPEC production allocations. Those allocations are now considered dead and buried."
- OPEC will address overproduction above quotas at its next meeting in December, according to Ali Rodriguez, the president of Venezuelan state oil company PdVSA. "There is, as OPEC's president has admitted, a notable overproduction ... in all of the producers of the world, not only OPEC's producers but also outside OPEC...that will for sure be an issue at the next OPEC meeting on December 12 in Vienna, and it will be then that the respective authorities make the necessary announcements."
- The U.N. Security Council has scheduled a vote for Monday to extend the U.N.'s oil-for-food program for another 6 months. The new phase would the 13th since the program started, and would run from November 26 to May 24, 2003.
- As of November 21, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 593.5 million barrels of oil. The SPR has a maximum drawdown capability of 4.3 million bbl/d for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown. The SPR drawdown rate declines to 3.2 million bbl/d from days 91-120, to 2.2 million bbl/d for days 121-150, and to 1.3 million bbl/d for days 151-180.

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Latest U.S. Weekly EIA Petroleum Information

(last complete update - November 21, 2002)

Petroleum Inventories
U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) rose by 4.5 million barrels last week, partially reversing a decrease during the previous week. Nationally, they are 24.6 million barrels below the level last year at this time. In PADD II (Midwest), crude oil inventories fell slightly to 55.1 million barrels, and remain near historic lows seen in recent weeks. Distillate fuel inventories rose by 1.5 million barrels, with an increase in low-sulfur distillate fuel (diesel fuel) more than offsetting a decline in high-sulfur distillate fuel (heating oil). Distillate fuel inventories remain below the lower limit of the normal range for this time of year. Motor gasoline inventories fell by 0.5 million barrels, and are just below the lower limit of the normal range for this time of year.

The near record draw on U.S. inventories of propane since the beginning of the 2002 heating season finally slowed last week with a weekly stock draw that measured a relatively modest 0.9 million barrels. Since October 1, 2002, U.S. inventories of propane have fallen by more than 10.0 million barrels, marking one of the largest stock draws ever for this period. U.S. inventories of propane as of the week ending November 15, 2002, stood at an estimated 61.1 million barrels, about 9.5 million barrels below the same year-ago level. Comparatively, during the same October through mid-November period last year, U.S. inventories actually increased by nearly 3.6 million barrels, although last year, the weather was considerably milder during this period which allowed inventories to build unseasonably at that time. However, despite the sharp draw this year, U.S. inventories of propane continue to track at the upper limit of the average range. Regional stock draws reported a shift from what had been the trend over the past several weeks with most of the weekly draw originating in the Gulf Coast region instead of the Midwest region. While propane inventories in the Midwest were relatively unchanged last week, the Gulf Coast during this same period reported a stock draw that was greater than 0.7 million barrels. East Coast inventories continued their recent trend with a weekly draw that was less than 0.1 million barrels.

Petroleum Imports
U.S. crude oil imports (including imports going into the Strategic Petroleum Reserve) averaged nearly 10.2 million barrels per day, up about 1.0 million barrels per day from the previous week, and the first week the average has been above 10 million barrels per day since the week ending May 18, 2001. Crude oil imports have averaged nearly 9.4 million barrels per day over the last four weeks, or about 100,000 barrels per day more than averaged during the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) averaged about 700,000 thousand barrels per day last week, down some from levels the previous two weeks. Distillate fuel imports were relatively high, averaging nearly 300,000 barrels per day last week.

Monthly data on the sources of U.S. crude oil imports in September 2002 was released recently and it shows that four countries imported more than 1.3 million barrels per day of crude oil to the United States that month. The top sources of U.S. oil imports in September 2002 were Saudi Arabia (1.512 million barrels per day), Mexico (1.417 million barrels per day), Canada (1.412 million barrels per day), and Venezuela (1.302 million barrels per day). Rounding out the top ten sources, in order, were Nigeria (0.489 million barrels per day), Angola (0.329 million barrels per day), Norway (0.294 million barrels per day), Kuwait (0.286 million barrels per day), United Kingdom (0.278 million barrels per day), and Colombia (0.263 million barrels per day). Of the 8.796 million barrels per day of crude oil imported into the United States during the month of September 2002, the top four countries accounted for 65% of these imports, while the top ten sources accounted for nearly 87% of all U.S. crude oil imports. Iraqi crude oil imports, which averaged just 0.148 million barrels per day (ranking 12th amongst crude oil import sources) were the lowest monthly average since May 1998, while Russian crude oil imports averaged 0.104 million barrels per day, ranking 13th for the month, but the 2nd largest amount since June 1994 (only exceeded by the amount imported in May 2002).

Refinery Inputs and Production
U.S. crude oil refinery inputs averaged 15.0 million barrels per day during the week ending November 15, the first time the average has been above 15 million barrels per day since the week ending September 20 (before the impacts from Tropical Storm Isidore and Hurricane Lili were felt). The increase in refinery inputs did not affect products equally as an increase in distillate fuel production was offset by a decline in motor gasoline production, while jet fuel production increased slightly last week.

Petroleum Demand
Total product supplied over the last four-week period averaged nearly 19.7 million barrels per day, or about 0.2 percent more than the level last year. Over the last four weeks, motor gasoline demand is up 2.8 percent, kerosene-jet fuel demand is up 7.0 percent, and distillate fuel demand is up 1.6 percent compared to the same four-week period last year.

Spot Prices (updated November 19, 2002)
The average world crude oil price on November 15, 2002 was $22.10 per barrel, down $1.33 per barrel from the previous week but $4.75 per barrel more than last year. The spot price for conventional gasoline in the New York Harbor was 72.10 cents per gallon, down 7.35 cents per gallon from last week but 24.05 cents higher than a year ago. The spot price for No. 2 heating oil in the New York Harbor was 68.80 cents per gallon, 0.28 cent per gallon lower

than last week but 17.70 cents per gallon more than last year.

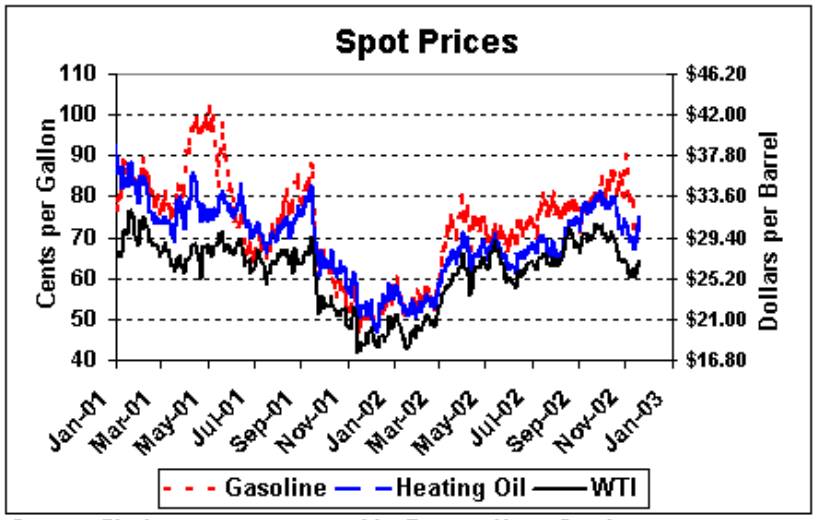
Retail Gasoline and Diesel Fuel Prices Fall Back Last Week (updated November 19, 2002)
The U.S. average retail price for regular gasoline fell last week for the second week in a row, decreasing by 3.0 cents per gallon as of November 18 to end at 140.9 cents per gallon. This price is 24.2 cents per gallon higher than last year.

Retail diesel fuel prices fell last week for the fourth week in a row, decreasing by 2.2 cents per gallon to a national average of 140.5 cents per gallon as of November 18. Distillate fuel inventories are expected to drop below the normal range this winter and remain low through 2003, so it is unlikely that prices will decrease significantly in the coming months. Retail diesel prices were down throughout the country, with the largest price decrease occurring in the Rocky Mountain region, which saw the price fall by 3.5 cents per gallon to end at 146.1 cents per gallon.

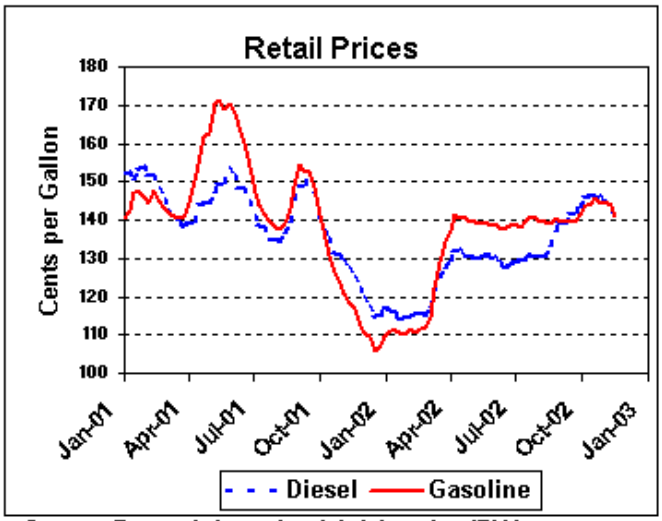
Residential Retail Heating Oil Prices Fall
Residential heating oil prices decreased slightly for the period ending November 18, 2002. The average residential heating oil price was 127.3 cents per gallon, down 0.2 cent per gallon from the previous week. Residential propane prices on the other hand continued to move slightly upward, increasing by 0.4 cent per gallon from 115.8 to 116.2 cents per gallon. Residential heating oil prices are 7.2 cents per gallon higher than last year at this time while residential propane prices are 2.8 cents per gallon higher than one year ago. Wholesale heating oil prices increased 0.2 cent per gallon, to 77.6 cents per gallon, while wholesale propane prices decreased from 53.7 to 52.8 cents a gallon, down 0.9 cent per gallon.

U.S. Petroleum Prices

(updated November 21, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	$/bbl	$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
10/3/2002	$29.73	$29.76	80.25	80.25	77.72	79.43	83.10	47.50	46.25		
10/4/2002	$29.65	$29.62	80.10	79.72	79.20	79.19	83.18	47.57	46.00		
10/7/2002	$29.65	$29.64	80.80	80.47	78.08	79.16	82.78	47.57	46.25	143.9	146.0
10/8/2002	$29.56	$29.48	83.78	82.35	77.55	79.05	83.30	47.26	45.88		
10/9/2002	$29.31	$29.35	82.20	82.04	77.71	79.42	83.51	47.32	46.25		
10/10/2002	$28.96	$28.97	81.50	80.46	77.10	78.30	83.10	46.69	45.50		
10/11/2002	$29.36	$29.37	82.80	82.01	77.88	78.97	83.40	47.25	47.07		
10/14/2002	$30.06	$30.03	85.90	84.96	79.85	80.89	85.40	48.25	47.32	144.0	146.1
10/15/2002	$29.73	$29.72	84.47	83.99	78.80	79.98	84.35	47.94	46.88		
10/16/2002	$29.28	$29.47	84.65	83.93	78.79	79.96	83.64	48.25	47.00		
10/17/2002	$29.61	$29.62	85.75	83.98	79.85	80.77	84.05	48.63	47.00		
10/18/2002	$29.56	$29.60	85.90	85.17	79.90	80.35	83.25	48.82	47.50		
10/21/2002	$28.31	$28.37	80.54	81.03	75.66	76.29	79.49	47.68	46.75	145.8	146.9
10/22/2002	$27.93	$27.92	80.93	79.85	75.36	75.78	79.06	47.50	46.63		
10/23/2002	$28.19	$28.18	81.40	81.40	75.03	75.67	79.40	48.25	47.69		
10/24/2002	$27.87	$28.20	82.23	84.17	74.73	75.97	79.10	48.50	48.32		
10/25/2002	$27.09	$27.05	85.45	86.09	72.05	72.76	76.28	47.88	47.94		
10/28/2002	$27.25	$27.29	83.60	85.30	71.95	73.08	76.10	47.75	48.00	144.4	145.6
10/29/2002	$26.81	$26.86	80.05	82.27	70.55	71.55	74.90	47.75	48.00		
10/30/2002	$26.85	$26.81	80.80	82.83	72.55	72.77	76.05	47.88	47.94		
10/31/2002	$27.18	$27.22	79.65	86.35	74.50	74.38	77.85	48.25	48.69		
11/1/2002	$27.04	$27.13	85.25	76.45	73.90	74.16	76.60	48.38	49.63		
11/4/2002	$26.89	$26.95	89.93	77.43	73.08	73.33	75.53	47.88	49.07	144.8	144.2
11/5/2002	$26.06	$26.14	86.50	74.07	71.41	71.80	74.33	47.25	48.50		
11/6/2002	$25.72	$25.77	80.60	71.78	70.72	70.79	73.50	46.57	47.75		
11/7/2002	$25.36	$25.38	78.85	70.14	69.80	69.62	72.35	46.50	47.63		
11/8/2002	$25.83	$25.78	79.45	71.28	69.08	68.88	71.03	46.32	47.00		
11/11/2002	$26.02	$25.94	79.25	71.04	69.00	68.85	70.90	46.69	46.94	143.9	142.7
11/12/2002	$26.19	$25.90	78.20	69.84	69.75	69.01	71.73	46.57	46.82		
11/13/2002	$25.28	$25.19	72.00	68.54	67.30	67.25	69.55	45.75	46.00		
11/14/2002	$25.40	$25.29	72.23	69.76	67.90	67.69	70.15	45.25	45.57		
11/15/2002	$25.50	$25.51	72.10	69.73	68.80	68.85	70.90	46.38	45.82		
11/18/2002	$26.71	$26.71	74.20	71.94	72.30	72.28	74.68	47.25	47.75	140.9	140.5
11/19/2002	$26.41	$26.42	71.75	70.16	71.90	72.17	74.38	47.25	48.25		
11/20/2002	$27.00	$26.98	72.85	71.29	74.80	74.51	76.93	47.82	48.94		

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

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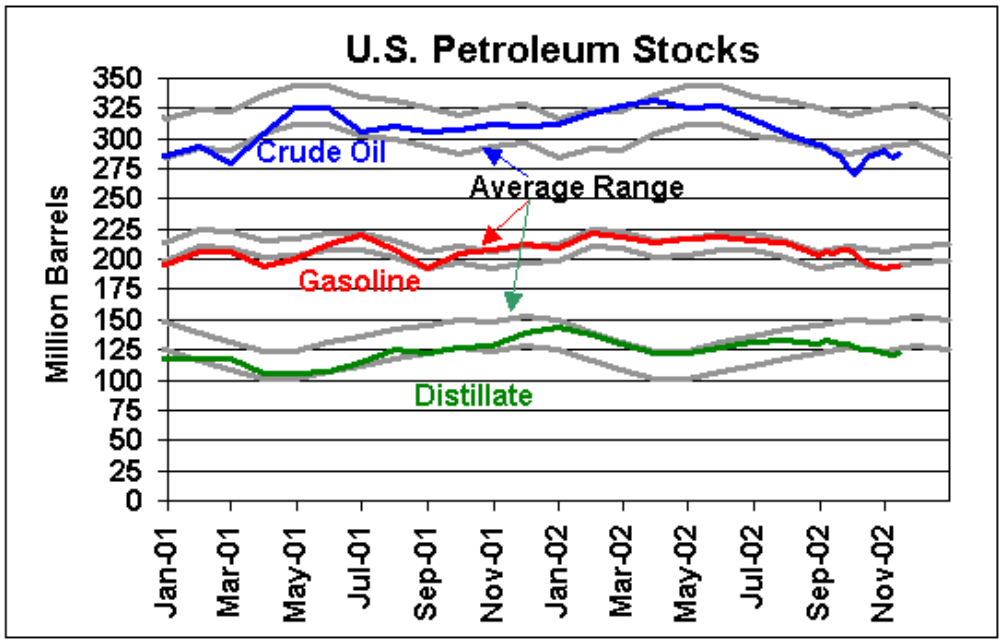
Energy Situation Analysis Report

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending 11/15/2002	Four Weeks Ending 11/15/2001	vs. Year Ago Diff.	vs. Year Ago % Diff.
Refinery Activity				
Crude Oil Input	14,865	15,002	-137	-0.9%
Operable Capacity	16,800	16,511	289	1.8%
Operable Capacity Utilization (%)	89.4%	92.1%	-2.7%	
Production				
Motor Gasoline	8,451	8,406	45	0.5%
Jet Fuel	1,520	1,428	92	6.4%
Distillate Fuel Oil	3,615	3,882	-267	-6.9%
Imports				
Crude Oil (incl. SPR)	9,363	9,266	98	1.1%
Motor Gasoline	879	719	160	22.3%
Jet Fuel	161	84	78	92.8%
Distillate Fuel Oil	313	249	65	26.0%
Total	11,684	11,504	181	1.6%
Exports				
Crude Oil	10	10	0	0.0%
Products	956	943	13	1.4%
Total	966	953	13	1.4%
Products Supplied				
Motor Gasoline	8,911	8,666	245	2.8%
Jet Fuel	1,612	1,507	105	7.0%
Distillate Fuel Oil	3,878	3,817	61	1.6%
Total	19,653	19,610	43	0.2%

Stocks (Million Barrels)	11/15/2002	11/15/2001	vs. Year Ago Diff.	vs. Year Ago % Diff.
Crude Oil (excl. SPR)	288.1	312.7	-24.6	-7.9%
Motor Gasoline	193.5	209.9	-16.4	-7.8%
Jet Fuel	41.1	40.2	0.9	2.2%
Distillate Fuel Oil	122.9	133.6	-10.7	-8.0%
Total (excl. SPR)	980.2	1,035.8	-55.6	-5.4%



Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly.

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World Oil Market Highlights

(updated November 12, 2002)

According to fourth quarter 2002 estimates, the world (excluding Iraq) holds as much as 4.9 million barrels per day of excess oil production capacity that could be brought online. Nearly all of this "excess capacity" is located in OPEC member countries.

OPEC Crude Oil Production [1]
(Thousand barrels per day)

	3Q 2002 Production	4Q 2002 Production	1/01/02 Quota[2]	2002 Production Capacity[3]	4Q Surplus Capacity[3]
Algeria	876	900	693	1,100	200
Indonesia	1,112	1,100	1,125	1,200	100
Iran	3,402	3,500	3,186	3,850	350
Kuwait[4]	1,923	1,950	1,741	2,400	450
Libya	1,333	1,340	1,162	1,400	60
Nigeria	1,949	2,000	1,787	2,300	300
Qatar	650	670	562	850	180
Saudi Arabia[4]	7,743	7,933	7,053	10,000-10,500[5]	2,067-2,567[5]
UAE[6]	1,987	2,000	1,894	2,600	600
Venezuela[7]	2,733	2,900	2,497	2,950	50
OPEC 10 Crude Oil Total	**23,707**	**24,293**	**21,700**	**28,650-29,150[5]**	**4,357-4,857[5]**
Iraq[8]	1,719	2,232	N/A	2,900	668

OPEC Crude Oil Total	**25,426**	**26,524**	N/A	**31,550-32,050[5]**	**5,026-5,526[5]**
Other Liquids[9]	2,761	2,761	N/A		
Total OPEC Production	**28,187**	**29,285**	N/A		

NA: Not Applicable

[1]Crude oil does not include lease condensate or natural gas liquids.

[2]Quotas are based on crude oil production only.

[3]Maximum sustainable production capacity, defined as the maximum amount of production that: 1) could be brought online within a period of 30 days; and 2) sustained for at least 90 days.

[4]Kuwaiti and Saudi Arabian figures each include half of the production from the Neutral Zone between the two countries. Saudi Arabian production also includes oil produced from its offshore Abu Safa field on behalf of Bahrain.

[5] Saudi Arabia is the only country with the capability to further increase its capacity significantly within 90 days. Saudi Arabia can increase its sustainable production capacity to 10 million barrels per day within 30 days and to 10.5 million barrels per day within 90 days. As a result, the estimates for Saudi Arabia are as shown as a range, with the lower figure using the 30 days' definition and the upper end reflecting Saudi Arabia's 90 days' capability. OPEC's surplus capacity estimates are also shown as a range for this reason.

[6]The UAE is a federation of seven emirates. The quota applies only to the emirate of Abu Dhabi, which controls the vast majority of the UAE's economic and resource wealth.

[7]Venezuelan capacity and production numbers exclude extra heavy crude oil used to produce Orimulsion.

[8]Iraqi oil exports are approved by the United Nations under the oil-for-food program for Iraq established by Security Council Resolution 986 (April 1995) and subsequent resolutions. As a result, Iraqi production and exports have not been a part of any recent OPEC agreements. Resolution 986 limited the sale of Iraqi crude oil over six-month periods to specified dollar amounts. However, the Security Council voted to remove any limits on the amount of oil Iraq could export in December 1999.

9Other liquids include lease condensate, natural gas liquids, and other liquids including volume gains from refinery processing.

Major Sources of U.S. Petroleum Imports, Jan.-August 2002*

(all volumes in million barrels per day)

	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.89	1.39	0.50
Saudi Arabia	1.51	1.48	0.03
Mexico	1.50	1.46	0.04
Venezuela	1.39	1.19	0.20
Nigeria	0.60	0.57	0.03
Iraq	0.52	0.52	0.00
United Kingdom	0.46	0.39	0.07
Norway	0.41	0.36	0.05
Angola	0.32	0.31	0.01
Algeria	0.28	0.03	0.25

Total Imports	11.30	9.01	2.29

** Table includes all countries from which the U.S. imported more than 300,000 barrels per day in Jan.-August 2002.*

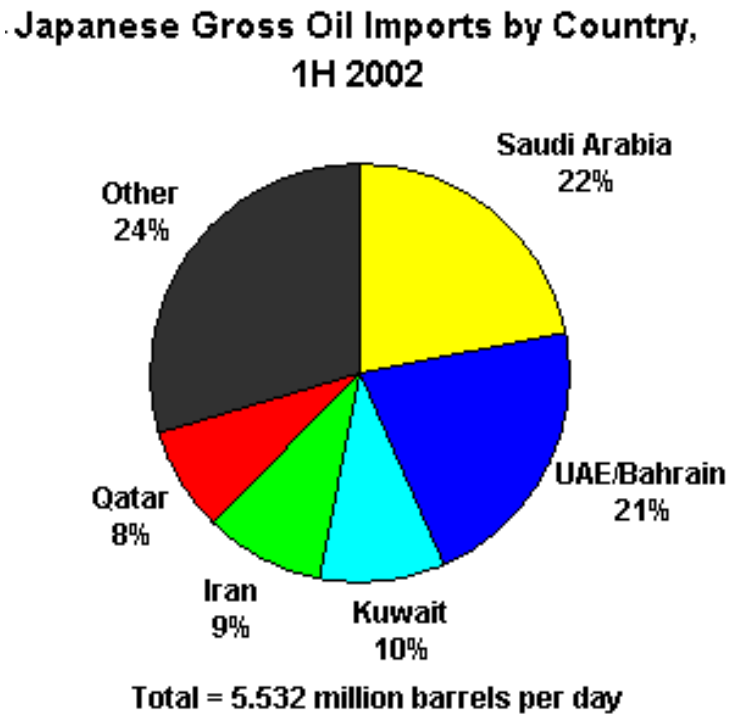
Top World Oil Net Exporters, Jan.-Aug. 2002*		
	Country	**Net Exports (million barrels per day)**
1)	Saudi Arabia	6.10
2)	Russia	4.67
3)	Norway	2.81
4)	Iran	2.35
5)	Venezuela	2.20
6)	Nigeria	1.84
7)	United Arab Emirates	1.72
8)	Iraq	1.45
9)	Kuwait	1.45
10)	Mexico	1.21
11)	Libya	1.12
12)	Algeria	1.04

**Table includes all countries with net exports exceeding 1 million barrels per day in Jan.-Aug 2002.*

During the first five months of 2002, about half of U.S. crude oil imports came from the Western Hemisphere (17% from South America, 16% from Mexico, 15% from Canada, 2% from the Caribbean), while 27% came from the Persian Gulf region (17% from Saudi Arabia, 8% from Iraq, 2% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than does the United States. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

Having provided this information, it is important to stress that oil is a "fungible" (interchangeable, traded on a world market) commodity, that a disruption of oil flows anywhere will affect the price of oil everywhere, and that the specific suppliers of oil to a particular country or region are not of enormous significance, at least from an economic point of view.



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Definitions

Petroleum

WTI – West Texas Intermediate (for the purposes of this table, prices provided are near month futures price) Cushing OK.

Bbl – Barrel (42 gallons).

C's – cents.

Natural Gas

Henry Hub – A pipeline hub on the Louisiana Gulf coast. It is the delivery point for the natural gas futures contract on the New York Mercantile Exchange (NYMEX).

Electricity

COB – average price of electricity traded at the California-Oregon and Nevada-Oregon border.

Palo Verde - average price of electricity traded at Palo Verde and West Wing Arizona.

Average - average price of electricity traded at all locations.

Latest U.S. Weekly Natural Gas Information

(updated November 21, 2002)

Industry/Market Developments

EIA Releases Annual Energy Outlook 2003, With Gas Projections Through 2025: On Wednesday, November 20, EIA released the reference case from its soon-to-be published Annual Energy Outlook 2003, projecting a growth of 54 percent in gas demand by the year 2025. Growing at an average annual rate of 1.8 percent, total consumption is projected to increase from 22.7 Tcf in 2001 to 34.9 Tcf in 2025, with most of the increase going to supply expanding gas-fired electricity generation. EIA foresees the need for major new domestic supply projects, such as from deepwater offshore wells and an Alaskan pipeline, and increased imported supplies, including new and expanded LNG facilities and the Mackenzie Delta Pipeline in Canada, in order to be able to meet the growth in demand. Total natural gas imports are projected to satisfy 22 percent of total U.S. demand in 2025, up from 16 percent in 2001. EIA also predicts higher prices by 2025, as increased demand will outstrip the ability of technology improvements and new supply sources to offset resource depletion. EIA projects that the average wellhead price will be about $3.90 per Mcf, or about $3.80 per MMBtu, in 2025, which is equivalent to more than $7 per Mcf ($6.83 per MMBtu) in nominal dollars.

MMS Announces New World Records For Deepwater Pipelines And Production: New production from the Camden Hills field about 150 miles southeast of New Orleans has set a world water-depth record, according to the Minerals Management Service (MMS). The MMS announced on November 18 that Marathon Oil Company set the world record with production from the Camden Hills field at a water depth of 7,209 feet, which exceeds by about 100 feet the previous record set in the nearby Aconcagua field. Marathon Oil Company, which discovered the Camden Hills field in 1999, is the operator of the production facilities. The MMS stated that production is currently 100 million cubic feet per day. TotalFinaElf has also set a world record in the vicinity for laying a pipeline to the production site at the same water-depth. The pipeline is part of the Canyon Express gas gathering system, which is a collaboration among several operators that connects the Camden Hills, Aconcagua, and Kings Peak natural gas fields. MMS said that peak flow on the Canyon Express line will be 500 million cubic feet per day.

Storage

Working gas in storage for the week ended Friday, November 15 was 3,096 Bcf, according to EIA's Weekly Natural Gas Storage Report, which is 3.3 percent above the average for the prior 5 years (1997-2001) and just 1 Bcf less than the level of the previous week.

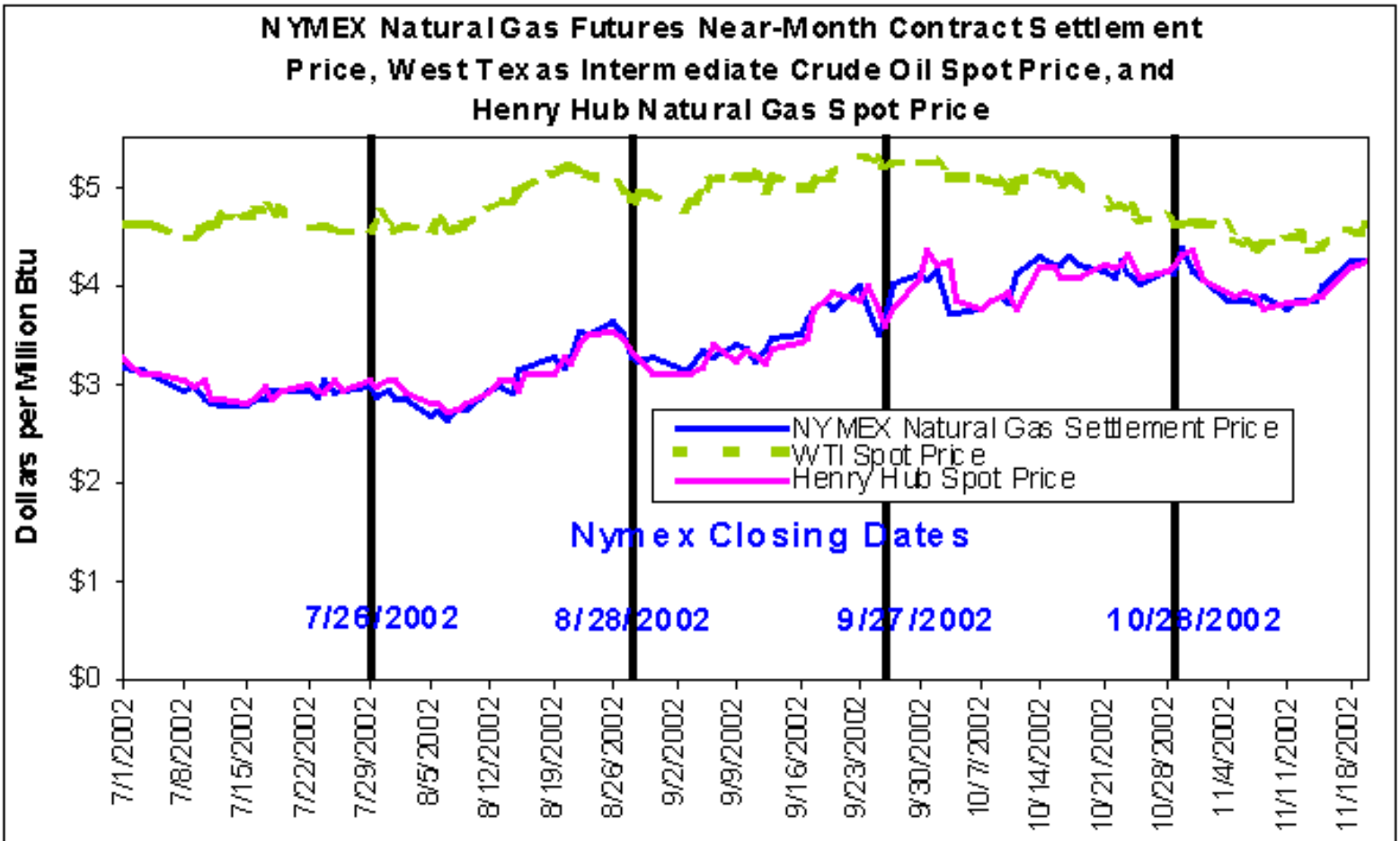
All Volumes in Bcf	Current Stocks 11/15/2002	Estimated Prior 5-Year (1997-2001) Average	Percent Difference from 5 Year Average	Implied Net Change from Last Week	One-Week Prior Stocks 11/8/2002
East Region	1,840	1,836	0.2%	5	1,835
West Region	413	360	14.7%	3	410
Producing Region	843	796	5.9%	-9	852
Total Lower 48	3,096	2,992	3.5%	-1	3,097

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Column and/or row sums may not equal totals due to independent rounding.

Prices:

Prices increased by generally less than a dime per MMBtu on Tuesday and a nickel or less on Wednesday, as temperatures have moderated somewhat from their colder-than-normal levels of the weekend and Monday. The average spot price at the Henry Hub rose 7 cents per MMBtu on Tuesday and 2 cents per MMBtu on Wednesday, to end trading yesterday (Wednesday, November 20) at $4.27 per MMBtu-its highest level since the last day of October. Likewise, average cash prices at citygates in Chicago and New York, at $4.26 and $4.61 per MMBtu, respectively, also reached post-October highs. In the Rocky Mountains region, the cumulative price increases over the past two days were significantly higher than in other regions, ranging primarily from 22 to 36 cents per MMBtu, leaving prices there comfortably above $3 per MMBtu. The Rockies market joins West Texas and California locations as the only markets with average prices below $4 per MMBtu.

Futures prices have stayed flat to slightly down since Monday. In the past two days of trading, the near-month contract has declined less than a penny, to settle yesterday at $4.254 per MMBtu. The settlement prices for the January and February contracts were unchanged in trading yesterday, holding at $4.352 and $4.262 per MMBtu, respectively.



Note: The West Texas Intermediate crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Source: NGI's *Daily Gas Price Index* (http://intelligencepress.com)

Trade Date (All prices in $ per MMBtu)	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract-December delivery	NYMEX futures contract-January delivery
10/24/2002	4.14	4.31	4.85	4.46	4.300	4.385
10/25/2002	3.97	4.11	4.57	4.26	4.188	4.278
10/28/2002	4.06	4.17	4.80	4.34	4.329	4.409
10/29/2002	4.14	4.19	4.95	4.39	4.261	4.346
10/30/2002	4.25	4.33	5.16	4.48	4.389	4.457
10/312002	4.33	4.38	4.98	4.41	4.156	4.256
11/1/2002	4.07	4.06	4.52	4.08	4.060	4.165
11/4/2002	3.93	3.94	4.34	3.91	3.863	3.983
11/5/2002	3.88	3.90	4.42	3.92	3.883	3.993
11/6/2002	3.89	3.93	4.44	3.92	3.854	3.971
11/7/2002	3.89	3.91	4.28	3.85	3.831	3.971
11/8/2002	3.70	3.77	4.03	3.72	3.903	4.032
11/11/2002	3.75	3.83	4.14	3.83	3.778	3.910
11/12/2002	3.72	3.83	4.20	3.85	3.872	3.991
11/13/2002	3.70	3.83	4.21	3.86	3.877	3.982
11/14/2002	3.74	3.90	4.25	3.96	3.869	3.984
11/15/2002	3.63	3.91	4.30	3.92	3.981	4.093
11/18/2002	3.87	4.18	4.60	4.20	4.263	4.356
11/19/2002	3.93	4.25	4.56	4.25	4.261	4.352
11/20/2002	3.92	4.27	4.61	4.26	4.254	4.352

* Average of *NGI's* reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

Source: NGI's Daily Gas Price Index (http://intelligencepress.com)

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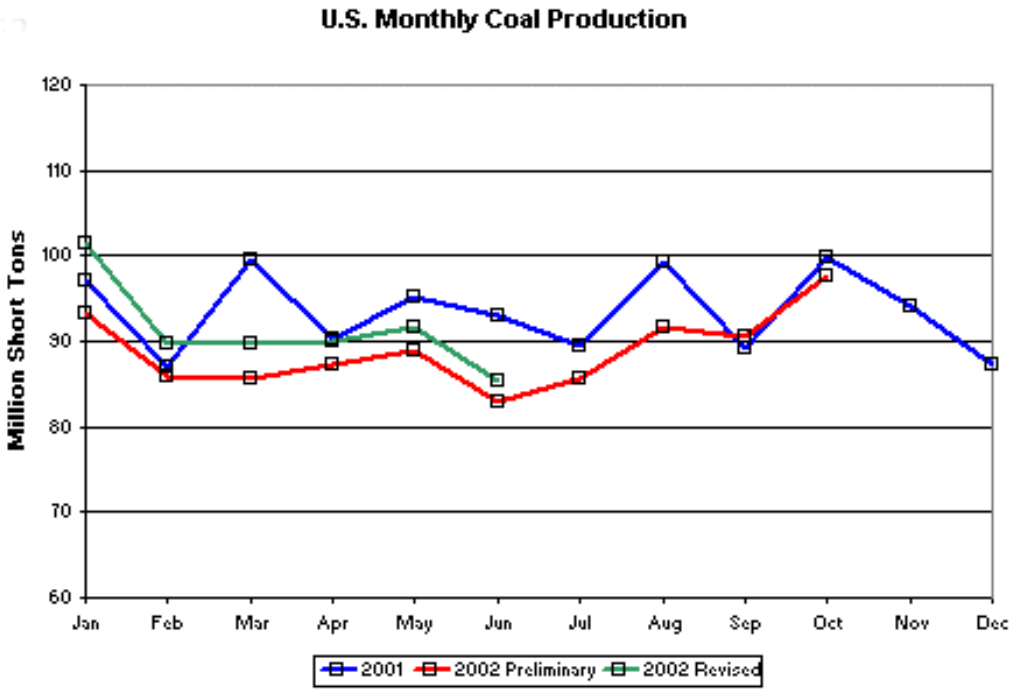
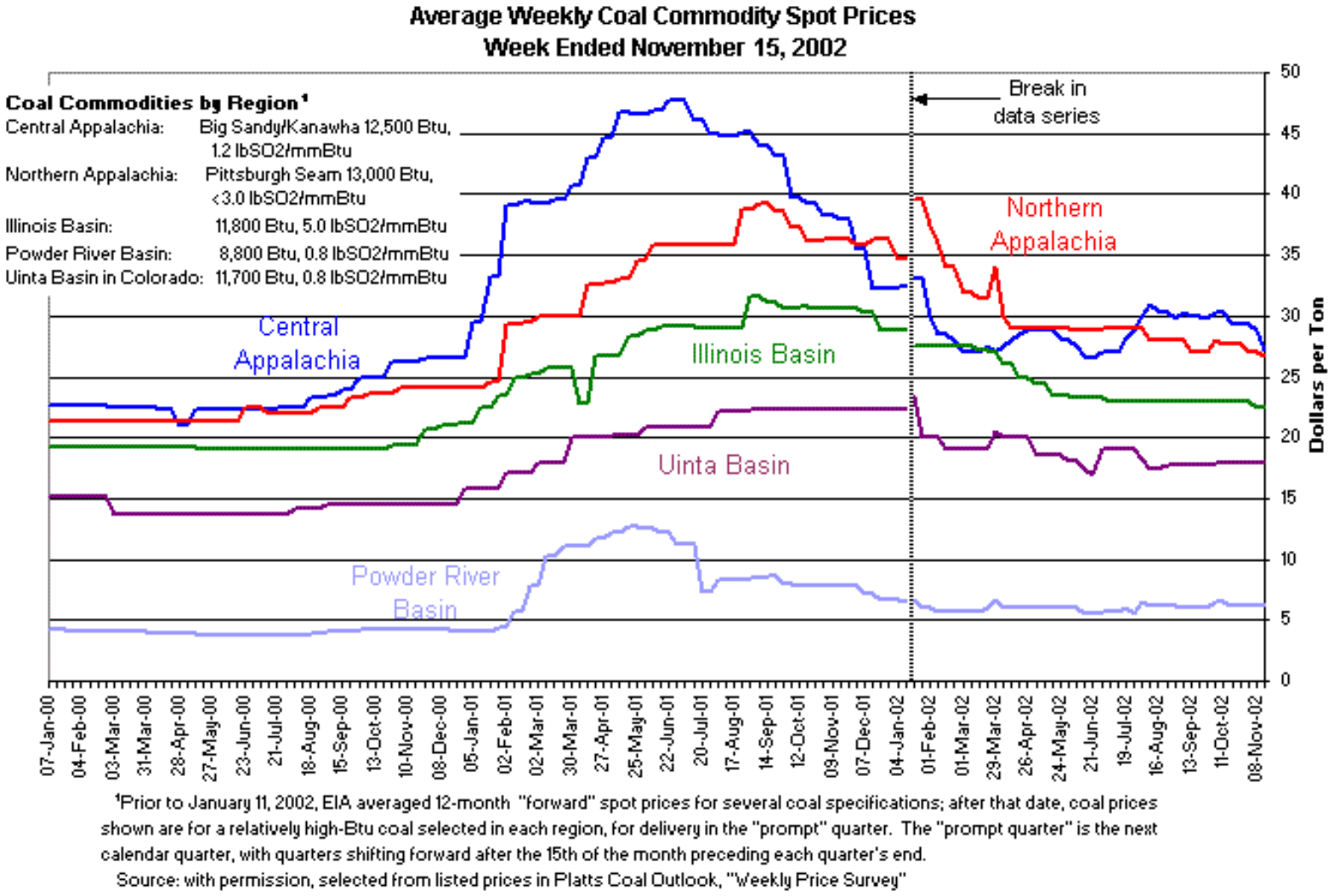
Latest U.S. Coal Information

(updated November 21, 2002)

Coal Production (Updated November 21, 2002)
For the week ended November 16, coal-related statistics were nearly the same as the same week in 2001. Railcar loadings of coal were 0.4% higher than year-ago levels whereas national coal production was 0.2% lower. Year-to-date, estimated western U.S. coal production is only 0.2% below the levels of a year ago; eastern U.S. coal production is estimated to be 5.8% below last year's level. The estimated production for the first 10 months of 2002 is 914.5 million short tons (mmst), 2.7% lower than the 939.9 mmst in the first 10 months of 2001. The estimate incorporates Mine Safety and Health Administration coal production survey data through the second quarter 2002.



Coal Prices
Spot coal prices are in an extended slump. Average Appalachian spot prices declined further in the week ended November 15. Illinois Basin prices also edged lower (graph below). Powder River Basin and Uinta Basin coal prices remain stable. Compared to peak prices in summer 2001, Central and Northern Appalachian coal prices are now about $20.00 and $13.00 lower per short ton, respectively, or 43% and 32% lower. The largest change in percentage is for the Powder River Basin coal prices, now settling at half of the late Spring 2001 peak (down by $6.50 per ton, or 51%). Compared to the previous low price floor in the summer of 2000, the latest EIA-indexed spot prices of $27.25 per short ton for Central Appalachian and $26.65 per short ton for Northern Appalachian coal are higher by only 22% and 25% respectively. Other prices also remain higher than the summer 2000 base: by 30% for the Uinta Basin, 18% for the Illinois Basin, and 67% for the Powder River Basin.



¹Prior to January 11, 2002, EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt" quarter. The "prompt quarter" is the next calendar quarter, with quarters shifting forward after the 15th of the month preceding each quarter's end.

Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

Over-the-counter (OTC) trading volumes on the NYMEX throughout the months of September and October were the lowest since trade was initiated in coal in July 2001. November trading thus far is continuing the trend. The settled prices for near-month deliveries remain around $28 per ton, prices for Central Appalachian coal that major producers have declared untenable. NYMEX prices for early 2003 are below $29, with offers rising to $30 starting in October 2003. Prevailing tepid trade volumes, however, render OTC and NYMEX prices only barely relevant.

Market Trends

At the American Coal Council's 20th annual Coal Market Strategies Conference in October, analysts emphasized the continuing impact of a host of negative factors on coal markets. It was generally agreed that the above normal coal stockpiles at power plants and a number of economic concerns will keep coal prices and purchases low for the rest of 2002, even if the weather becomes colder than normal. Meanwhile, according to comments on third quarter performance by Peabody CEO, Irl Engelhardt, many customers are bringing stockpiles down to levels lower than historical norms. Arch Energy president and CEO, Steven Leer, voiced similar observations. Arch estimates that utility stocks are already in line with the same point in 1999, 2000, and 2001. "It is possible . . . that power producers are planning to operate with stockpiles at levels lower than the historical range," he said. If so, "the long run impact is likely to be a positive one for coal producers, as the market moves toward better overall supply-demand balance" (Coal Transportation Report, November 4).

Meanwhile, broad problems are currently depressing the coal industry, such as: the overall economy; failure or

bankruptcies among last year's ebullient independent power producers (IPPs) and online energy traders; low electricity prices and post-Enron credit problems for electric power producers; relatively low gas prices; operational expediencies of combined-cycle natural gas generators, which sometimes keep them online even when coal-fired dispatch would be cheaper; and reluctance of investors to finance new or innovative coal-based generation, with longer lead-times, greater capital requirements, and uncertainties over eventual environmental compliance costs.

In addition, the rush by IPPs to build new natural gas-fired units resulted in a glut of shelved gas-fired generating equipment available at bargain prices. This will make new coal-fired plants - normally larger, more capital-intensive, and requiring more lead time than gas-fired plants to permit and build - less attractive for the next year or more and even harder to finance. In the wings, preliminary estimates of probable costs of mercury abatement regulations being considered by the Environmental Protection Agency are projected to be high for coal. Since final standards have not been promulgated, estimates are speculative, but could add $2.6 million per year on the low end to $10.6 million per year on the high end to annualized costs for a 250-megawatt coal-fired power plant. Because of the nature of the mercury and other minerals typically associated with western coal deposits, the higher-end costs are expected for plants burning western subbituminous coals (presentation by Michael Durham, ADA Environmental Solutions, October 16).

Would-be buyers have found coal producers generally unwilling to commit beyond existing contracts at current prices. With some eastern mines still off line, supplies of eastern compliance coal have reportedly been tight and many buyers, either with a stockpile cushion or credit problems, have delayed buys. Citing the high capital costs of opening new coal mines, Consol Energy disclosed on September 24 that the company does not intend to invest in new mines until contract coal prices in Appalachia go above $30 per short ton and buyers are willing to commit to contracts longer than 2 or 3 years (Energy Argus Coal Daily, September 26). Meanwhile, stock market prices for energy trading companies and some utilities have taken heavy losses recently due to bankruptcy announcements and credit downgrades. One effect of these trends is a tightening of new capital, credit, and short-term cash for expansions as well as coal purchases and operating expenses. Concurrently, power plant operators are generally planning for continuing slack demand. The outlook for delayed growth in electricity demand is reflected in EIA's figures for electricity generation capacity additions: 37.0 gigawatts delayed past 2002 and 5.5 gigawatts canceled (http://www.eia.doe.gov/cneaf/electricity/page/capacity/capacity.html). While most of that planned capacity was natural gas-fired, coal-fired plants are similarly affected but not reflected because they are longer-term projects.

Coal Producer Issues

Peabody Energy COO Richard Whiting commented at the Coal Market Strategies Conference that his company has moved away from the philosophy of producing as much coal as possible at all times to tailoring production to meet demand. That is, they will be return-on-investment-driven rather than cash-flow driven. In the past few years, companies like Peabody and Consol used IPOs to raise money needed to pay down debt; now they are more focused on profitability. Mr. Whiting also commented that productivity gains will inevitably flatten out. Peabody continues to push mining equipment vendors for better technology, but he is concerned about a lack of capital investment in the industry and about low rates of return. Meanwhile, some eastern coal producers grouse that some of their fellow producers are not being disciplined, and that they continue to produce unwanted coal at a time when the market is virtually nonexistent. The major problem for producers, however, is that there is too much “coal on the ground,” (in consumers’ stockpiles). Unless and until colder weather takes hold in the East, with significant consumption of those stocks, buyers simply cannot justify contracting for more coal, even at bargain prices. If consumer stocks are drawn down rapidly, however, producers hope to get the $30+ per ton they are seeking (Coal Outlook, November 18).

John Dean of JD Consulting displayed a graph at the Conference showing that productivity at Powder River Basin (PRB) high-Btu mines (8800 Btu/lb) peaked in 1998 and has declined since. This would reverse the general trend, as PRB productivity had been increasing for many years. An Arch coal speaker was pessimistic about the productivity outlook in both the East and West. Key factors are higher stripping ratios in the PRB as mines progress, thinner seams in the East, tighter environmental restrictions in the East, and the introduction of inexperienced new miners in the PRB. The one area

he was optimistic about was northern Appalachia, where he believes there is significant opportunity to increase output at the longwall mines by upgrading the conveyor systems that move coal out of the mines.

Coal Import Prospects

During the 1980s and 1990s, the U.S. coal industry was often its own worst enemy. Hundreds of large and intermediate coal producers kept much more capacity operational than justified by demand. Hundreds more small producers were on the sidelines ready to fulfill spot and short-term contracts at marginal profits. As a result, coal buyers could shop around and generally find a lower price from a cash-strapped coal producer. Over time, this situation helped extend years of declining real-dollar coal prices. Now, according to a new trade report, Energy Publishing's "Coal Americas," another source of downward pressure on coal prices is in place. It may not be obvious from available 2002 coal import statistics, but foreign coal producers are looking to the United States to expand their markets significantly (Coal Americas, October 21).

Coal Americas' message makes sense. The same major factor EIA believes led to several years of declines in U.S. exports - low international coal prices - has not gone unnoticed by U.S. coal buyers. As fewer, larger leaders in the U.S. industry try to impose market discipline by taking less profitable units off line during the current period of low demand, offshore producers are now vying for a share of the expected market comeback. In 2001, the United States imported nearly 20 mmst of coal, largely from South America - a 58% jump from the 12.5 mmst a year earlier. Imports for January through June 2002 are 7.9 mmst and are on track to reach about 16 mmst, which would still represent growth over the 3-year period.

Energy Publishing lists 18 coal-fired power plants that currently burn at least some imported coal. Nearly every coastal State is represented from Maine to Texas, as well as the Rockport plant in Indiana. The article identifies 46 additional plants situated well to burn imported coal in the future and claims that "the list of U.S. utilities that are eager to explore the possibility of tapping offshore suppliers is continuously growing." As a prime example, the Southern Company with 35,000 megawatts of coal-fired capacity, has long-term contracts in place with American producer Drummond Coal's Colombian operations and has tested Australian and Polish coal. In addition, "valley fill" rulings by U.S. District Judge Charles Haden last summer, which have placed new mining permits in West Virginia on hold, could affect mines supplying both metallurgical coal and premium steam coal. An ongoing legal dispute over overweight coal haul trucks, also in West Virginia, is another factor whose outcome could raise operating costs and prices for domestic coal.

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Latest U.S. Electricity Information

(updated November 21, 2002)

Selected Wholesale Electricity Prices: Electricity prices in most of the Western U.S. fell yesterday, November 20, as temperatures rose in California and strong river flows increased production of hydroelectric power in Washington and Oregon. At the Mid-Columbia trading center, the benchmark for electricity prices in the northwest, prices dropped just over $3.00 per megawatthour to $28.30 per megawatthour on November 20. Warm weather in California led to a reduction in the demand for electricity. Electricity prices at the NP-15 and SP-15 trading zones reflected the warmer weather with declines in electricity prices of $.95 and $1.06 per megawatthour respectively on November 20.

Electricity price in parts of the Midwest fell for the third consecutive trading day as output form nuclear plants in the region rose to meet higher demand for power to run heaters. According to the Nuclear Regulatory Commission, as reported in Bloomberg's Power Lines Report, Exelon Corp. increased production at its LaSalle 1 nuclear reactor to 81 percent of capacity from 67 percent on Tuesday after making repairs. At the Cinergy trading zone, prices dropped to $25.10 per megawatthour on November 20, a 17 percent drop from the high price recorded on November 15.

In the Southeast, electricity prices decreased the past two trading days as warmer weather led to decreased customer demand. Within SERC, prices decreased nearly 11 percent to $27.85 per megawatthour on November 20. Cooler weather is forecast to return to the region over the next few days and could lead to higher prices to meet higher demand.

Northeastern prices have been mixed over the past several trading days with prices decreasing at the PJM West and fluctuating in New York and New England. Electricity prices fell for the third consecutive trading day in the PJM West as warmer weather lead to a decrease in demand. Prices fell to $29.95 per megawatthour, an 18 percent drop from November 15. In New York City, prices ranged between $61.35 and $69.00 per megawatthour and in New England, prices ranged between $42.75 and $48.50 per megawatthour.

Over the past seven days, average prices at all trading centers ranged between $34.85 and $37.92 per megawatthour with an overall weekly average of $37.08 per megawatthour.

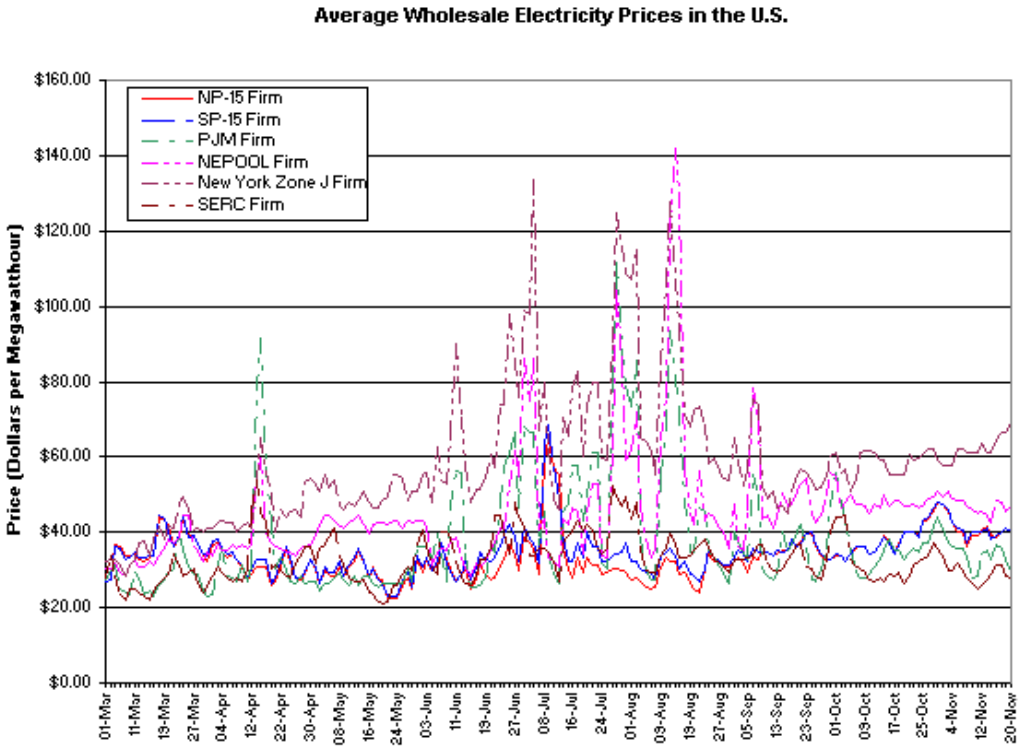
U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

Trading Centers	Date							Price Range		
	11/12/02	11/13/02	11/14/02	11/15/02	11/18/02	11/19/02	11/20/02	Max	Min	Average
COB	34.27	35.61	31.92	34.32	35.25	35.59	33.56	35.61	31.92	34.36
Palo Verde	35.20	34.15	27.64	30.65	32.05	32.94	33.27	35.20	27.64	32.27
Mid-Columbia	30.41	32.06	27.44	29.59	29.43	31.37	28.30	32.06	27.44	29.80
Mead/Marketplace	38.25	38.00	33.17	35.01	35.68	36.28	35.96	38.25	33.17	36.05
4 Corners	36.30	35.39	28.25	31.50	32.19	34.60	33.81	36.30	28.25	33.15
NP 15	40.51	41.47	39.26	38.68	39.94	40.90	39.95	41.47	38.68	40.10
SP 15	39.95	41.22	38.19	39.09	40.25	40.99	39.93	41.22	38.19	39.95
PJM West	34.44	35.39	32.59	36.56	35.77	32.89	29.95	36.56	29.95	33.94
NEPOOL	45.71	44.50	42.75	48.50	48.00	45.50	47.12	48.50	42.75	46.01
New York Zone J	63.38	61.35	61.35	64.50	66.50	66.50	69.00	69.00	61.35	64.65
Cinergy	21.46	24.52	26.66	30.10	28.58	25.08	25.10	30.10	21.46	25.93
SERC	26.11	27.29	29.02	31.10	31.38	28.24	27.85	31.38	26.11	28.71
Average Price	37.17	37.58	34.85	37.47	37.92	37.57	36.98	37.92	34.85	37.08

Sources: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, Cinergy, and SERC trading centers. Used with permission from Bloomberg L.P. (www.bloomberg.com).

COB: Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.
Palo Verde: Average price of electricity traded at Palo Verde and the West Wing, Arizona.
Mid-Columbia: Average price of electricity traded at Mid-Columbia.
Mead/Market Place: Average price of electricity traded at Mead Market Place, McCullough and Eldorado.
Four Corners: Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.
NP-15: Average price of electricity traded at NP-15.

NP-15:	Average price of electricity traded at NP-15.
SP-15:	Average price of electricity traded at SP-15.
PJM-West:	Average price of electricity traded at PJM Western hub.
NEPOOL	Average price of electricity traded at Nepool.
New York Zone J:	Average price of electricity traded at the New York Zone J - New York City.
Cinergy:	Average price of electricity traded into the Cinergy control area.
SERC:	Average price of electricity traded into the Southeastern Electric Reliability Council.



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